



## FISCAL MEMORANDUM

### SB 385 - HB 419

March 15, 2023

**SUMMARY OF BILL AS AMENDED (004816):** Revises the *1963 Local Option Revenue Act* by reducing the administrative fee percentage, over the span of three years, the Department of Revenue (DOR) takes from the proceeds of the local option sales tax to assist in defraying the expenses of administration and collection, before remitting the rest of the proceeds to the county, city, or town levying the tax.

### FISCAL IMPACT OF BILL AS AMENDED:

**Decrease State Revenue – \$5,659,600/FY23-24/Department of Revenue  
\$16,978,800/FY24-25/Department of Revenue  
\$28,297,900/FY25-26 and Subsequent Years/  
Department of Revenue**

**Increase Local Revenue – \$5,659,600/FY23-24  
\$16,978,800/FY24-25  
\$28,297,900/FY25-26 and Subsequent Years**

**Other Fiscal Impact – The extent to which a General Fund appropriation will be required to defray the expenses of administration and collection of the local option sales tax is unknown. In FY21-22, DOR reverted \$30,694,680 to the General Fund.**

Assumptions for the bill as amended:

- The proposed legislation reduces the administrative fee percentage from 1.125 percent to: 1.0 percent in FY23-24; 0.75 percent in FY24-25; and 0.5 percent in FY25-26 and subsequent years.
- Total collections from the local option sales tax were \$4,009,047,362 in FY21-22.
- Fiscal Review Committee staff estimates sales tax growth of 8.53 percent in FY22-23 and additional growth of 4.06 percent in FY23-24; therefore, total collections from the local option sales tax are estimated to be \$4,527,670,478 ( $\$4,009,047,362 \times 1.0853 \times 1.0406$ ) in FY23-24. For the purposes of this analysis, this number is held constant into perpetuity.
- The decrease in state revenue going to DOR, and the corresponding increase in local revenue, is estimated to be:

- \$5,659,588 [(\$4,527,670,478 x 1.125%) – (\$4,527,670,478 x 1.0%)] in FY23-24.
- \$16,978,764 [(\$4,527,670,478 x 1.125%) - (\$4,527,670,478 x 0.75%)] in FY24-25.
- \$28,297,940 [(\$4,527,670,478 x 1.125%) - (\$4,527,670,478 x 0.5%)] in FY25-26 and subsequent years.
- The fee revenue from the administrative fee is considered current services revenue and is retained by the Department of Finance and Administration. Expenditures for the administration of taxes by DOR will remain unchanged.
- The extent to which a General Fund appropriation will be required to defray the expenses of administration and collection of the local option sales tax is unknown. In FY21-22, DOR reverted \$30,694,680 to the General Fund.

### **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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